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POLICY

FINANCIAL, BUDGETARY AND ADMINISTRATIVE MATTERS

UNDP FINANCIAL REGULATIONS

Matters on which consensus was not achieved at the thirty-fifth session

Report of the Administrator

SUMMARY

At its thirty-fifth session (1988), the Council considered proposed financial regulation 4.6 and the other matters on which consensus had not been reached at the thirty-third session (1986).

By its decision 88/48, the Council decided that the Budgetary and Finance Committee will consider, at the thirty-seventh session (1990) of the Council, proposed financial regulation 4.6 and the other matters on which consensus was not reached at the thirty-fifth session.

As no new elements regarding this item have been introduced since the thirty-third session of the Council, the Administrator is of the opinion that the substance of his note submitted to that session, contained in document DP/1986/63, will provide the Council with the basis for its consideration at the thirty-seventh session.

Proposed financial regulation 4.6 (text A in the annex)

1. This text, which was proposed by a member of the Council in 1981, provides a definition of the term "readily usable" with respect to the currency of voluntary contributions. This definition provides that a voluntary contribution to UNDP shall be deemed readily usable if previous accumulations of contributions from the donor country amount to less than the contribution itself; the definition must be read in conjunction with the existing regulation 4.5, the text of which is as follows:

> "Voluntary contributions shall be made in currencies which are readily usable by UNDP, consistent with the need for efficiency and economy of operations, or convertible to the greatest possible extent into currencies readily usable by UNDP."

Subparagraph 8 (b) of decision 81/16 (text B in the annex)

2. This text also appears as paragraph 16 (b) of decision 80/30, "Preparations for the third programming cycle, 1982-1986". The words contained in round brackets in the text as shown in the annex reflect proposals put forward by two groups of members of the Council; the two different versions of this subparagraph can be rendered as follows:

Version 1 — In view of the multilateral nature of the Programme, non-recipient donor countries which make their voluntary contributions wholly or partly in non-convertible currencies shall pay a gradually increasing share of their contributions in convertible currencies so that their contributions will be fully convertible by the year 1985.

Version 2 — In view of the multilateral nature of the Programme, non-recipient donor countries which make their voluntary contributions wholly or partly in their national non-convertible currencies are requested to pay, if possible, a gradually increasing share of their contributions in convertible currencies.

Subparagraph 8 (c) of decision 81/16 (text C in the annex)

3. This text also appears as paragraph 16 (c) of decision 80/30, "Preparations for the third programming cycle, 1982-1986". The words contained in round brackets in the text as shown in the annex reflect proposals put forward by different members of the Council; two different versions of this subparagraph can be rendered as follows:

Version 1 — Meanwhile, entities headquartered in a net donor country which has contributed in a non-convertible currency shall be reimbursed for services and equipment purchased under the Programme only in the currency of that country where such a currency is accumulated

and until such accumulation is used; conversely, if, when utilizing a non-convertible contribution, costs are incurred in other currencies, these shall be reimbursed to UNDP in the form of a convertible share of the non-convertible contributions.

Version 2 Meanwhile, entities headquartered in a net donor country which has contributed in a non-convertible currency shall be reimbursed for services and equipment purchased under the Programme in the currency in which the contribution is paid where such a currency is accumulated and until such accumulation is used.

These texts should be read in conjunction with the decision taken by the Council in February 1977, which reads as follows:

"Requested the Administrator to take the necessary steps to ensure that all payments for goods and services (including the provision of equipment, subcontracts, transport, etc.) rendered to all UNDP-financed projects by entities headquartered in countries whose currencies have been accumulated in UNDP are made exclusively in currencies in which their country contribution is paid to UNDP until these accumulations are used, and further requested the Administrator to make a detailed status report to the Governing Council as soon as possible but not later than the twenty-sixth session of the Council on (i) the measures he has taken to implement this request; and (ii) the problems, if any, he has encountered in its implementation." 1/

4. The Council is requested to consider whether agreement can be reached on the matters contained in these texts so that the UNDP financial regulations can be issued in final form. Any agreement reached regarding the matters covered by texts B and C would need to be reflected in appropriate financial regulations. It should also be noted that there should be no inconsistency between the conclusions which may be reached on these texts; for example, agreement on a text similar to version 1 of text B would remove the need for a definition as proposed in text A.

Notes

1/ Official Records of the Economic and Social Council, Sixty-third Session, Supplement No. 3 (E/5940), para. 58 (n).

Annex

TEXTS ON WHICH CONSENSUS HAS NOT BEEN ACHIEVED

A. Proposed financial regulation 4.6:

[Regulation 4.6: A voluntary contribution to UNDP shall be deemed readily usable if previous accumulations of contributions from the donor country amount to less than the contribution itself.]

B. Subparagraph 8 (b) of decision 81/16:

[In view of the multilateral nature of the Programme, non-recipient donor countries which make their voluntary contributions wholly or partly in (their national) non-convertible currencies (shall pay) (are requested if possible to pay) a gradually increasing share of their contributions in convertible currencies (so that their contributions will be fully convertible by the year 1985)]

C. Subparagraph 8 (c) of decision 81/16:

[Meanwhile, entities headquartered in net donor countries which have contributed in non-convertible currencies where such currencies are accumulated and until such accumulations are used shall be reimbursed for services and equipment purchased under the Programme (only in the currency of that country) (in the currencies in which their contribution is paid): (conversely, if, when utilizing a non-convertible contribution, costs are incurred in other currencies, these shall be reimbursed to UNDP in the form of a convertible share of the non-convertible contributions)].

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POLICY

PROGRAMME IMPLEMENTATION

AGENCY SUPPORT COSTS

Recommendations on agency support costs in accordance with decision 90/5 of 23 February 1990

Report of the President of the Governing Council

I. INTRODUCTION

A. Background

1. This report responds to Governing Council decision 90/5 of 23 February 1990. In that decision, which in turn responded to General Assembly resolution 44/211 of 22 December 1989, the Council requested the President of the Governing Council to convene open-ended consultations with members of the Programme on the report of the Group of Experts with a view to providing recommendations thereon to the Council at its thirty-seventh session (1990). Furthermore, the Council also requested the Administrator and the Executive Director of the United Nations Population Fund (UNFPA) to submit written comments on the report of the Group of Experts; the Executive Heads of all executing agencies were also invited to do the same.

2. The Governing Council decided that 10 advisers, selected on the basis of proportionate geographical distribution, and knowledgeable of the operations of the United Nations system development activities, should assist the Bureau in undertaking appropriate analyses and consultations with UNDP and other United Nations system organizations, to ensure a clearer view of the implications of various options recommended by the Group of Experts. A list of the names of the advisers appears in the annex.

3. The Bureau of the Governing Council and the advisers have reviewed the report of the Expert Group on Support Costs, the comments and recommendations from UNDP, UNFPA and the executing agencies, as well as the report of the Task Force of the Consultative Committee on Substantive Questions) Operational Activities) (CCSQ(OPS)), which were made available to all members. They have held discussions with UNDP and UNFPA, the secretariats of the six largest executing agencies (measured by the size of their UNDP-financed programming), one small technical agency, and some other agencies based in Geneva and Washington (see addendum, the statement of the President of the Governing Council at the open-ended consultations of members of the Programme delivered on 2 May 1990). A number of the agencies responded in writing to a questionnaire prepared by the Bureau and advisers. Specific elements from these submissions have been taken into account in considering possible successor arrangements.

4. The open-ended consultations were held in New York on 2 May and on 15 and 16 May 1990, with the participation of a substantial number of members of the Programme and of representatives of United Nations agencies and organs. On these occasions the President presented his progress reports, which are available as an addendum to the present document. Many delegations made comments which have been most useful as general guidance for the work of the Bureau and advisers.

B. Policy considerations

5. The progress report given by the President on 2 May 1990 outlined the principles by which the Bureau and advisers intended to be guided. These principles received broad endorsement by the members of the Programme. They are indeed valid principles for all the ongoing attempts to improve the working of the United Nations system of operational activities.

6. The present report concentrates on specifics, looking particularly towards the matters on which the Governing Council needs to take a decision. The important, but by now familiar, background considerations which were dealt with, especially in the statement of the President on 15 May 1990, are not repeated.

7. However, the novel purposes behind the proposals being made on the limited issue of successor arrangements are emphasized. The proposals are intended to make possible and to encourage the practice of recipient Governments managing projects financed by the United Nations funding agencies and to assist the major partners of UNDP to adapt to a changing role in United Nations technical co-operation.

8. The Governing Council will consider under agenda item 4 (b) (x) the Administrator's proposals on national execution, and the implementation of any changes in definition and approach. The recommendations herein do not depend on any particular definition of national execution, but are drawn up on the assumption that governments will wish increasingly to take on the management of United Nations-financed projects and to carry out the administrative functions which in the past conventionally have been carried out by United Nations agencies. They assume that Governments will wish increasingly to use the capacity of local and international organizations outside the United Nations system for the implementation of projects which are appropriate for financing by UNFPA, and particularly UNDP. While it remains the normal role of technical co-operation both

from the United Nations and other sources to develop this capacity by projects and programmes, the recommendations, in keeping with General Assembly resolution 44/211, involve specific assistance in the fifth programming cycle for strengthening the capacity of Governments to take on the management of projects. They are also intended to facilitate the widening of the options for the implementation of projects by the greater use of local capacity.

9. Also envisaged is a parallel reduction of the role of the agencies in the direct execution of projects and their adaptation to a role which emphasizes their technical inputs rather than project administration. A reduced role in execution will also apply to the Office of Project Services (OPS). The pattern of this change is well developed in the report of the Expert Group. It was also discussed in the meeting of the Working Group of the Committee of the Whole on 14 May. Major changes are unlikely in the role of the unisectoral agencies or agencies offering a discrete service but of a non-sectoral nature, and perhaps in other cases. The role to which some agencies may adapt would involve a greater emphasis on assistance to countries at the programme level and technical support to the project cycle. The change could have implications for the structure and staffing of the organizations, for which transitional support may be required.

C. Analysis of options for successor arrangements

10. Paragraphs 4 and 7 of Governing Council decision 90/5 call for analysis of the options identified by the Expert Group. This was done in the progress report on 2 May 1990. Rather than revisit the options in chapter VII of the report of the Expert Group, reference is made only to elements in the options which have been drawn upon in the proposals, so as to help members place the recommendations in the context of that report. As the Expert Group envisaged, elements from the various options have been used.

11. The recommendations put forward are not based on the proposition implicit in option 1 of the Experts, namely that UNDP finance only the administrative and operational cost of backstopping projects. They show a preference to the proposals in other recommended options that, in certain cases, technical backstopping be financed. Although the option of finance by UNFPA or UNDP of posts, as envisaged in option 1, is not ruled out, the proposals for UNDP draw more from option 2, which suggests the selective financing of services. From option 2, the idea of the need to begin to delink payment for support services from programme or project implementation is taken. Ideas about the freedom of Governments to select implementation modalities are borrowed from option 3. Option 4, involving no change, is also applicable where in fact no change is needed. One will identify in the recommendations ideas drawn from the papers by UNDP, UNFPA and CCSQ(OPS), and individual agencies, even when these arrangements have not been specifically mentioned.

D. Régime for UNFPA

12. Governing Council decision 80/44 of 27 June 1980 first applied the support cost régime then existing to UNFPA. A complex system has since developed, with

UNFPA financing posts as well as paying 13 per cent in support costs, and paying some direct costs from project budgets. The situation of UNFPA is quite different from that of UNDP. It was not covered by the 1970 Consensus, and the population field was a new one, without extensive capacity in many agencies. Given the distinct technical and operational requirements of UNFPA programmes, there is no particular reason for requiring the same régime for UNFPA as for UNDP, where a particular concept of partnership is enshrined in the 1970 Consensus and other legislative backing. UNFPA therefore could be asked to develop a proposal designed for its programme needs for consideration by the Council, which can then consider whether it should be integrated into a wider régime which includes UNDP, or whether it should stand alone.

E. UNDP: Agency participation in programme support

13. The technical partners of UNDP are, in the main, the specialized agencies or other United Nations bodies where, as illustrated in paragraph 402 of the report of the Expert Group, the regular budget finances services of direct value to UNDP. An essential element underpinning the unique multilateral character of the Programme and its capacity to give neutral advice is the willingness and availability of these agencies to provide advice to UNDP in their sectors of competence, regardless of implementation arrangements. This should continue. It is also clear for reasons set out in the statement of the President of 15 May 1990, that the capacity of agencies to provide technical support to UNDP fifth cycle programmes needs to be strengthened, especially with respect to supporting the shift towards a programme approach for United Nations technical co-operation.

F. Technical services support

14. There is wide acceptance of the idea of the financing by UNDP of programme-level technical support to be provided by agencies. These resources should be managed centrally by UNDP, as are the present support cost line and the sectoral support provisions.

15. It is recommended that the Governing Council consider setting aside a sum of money for what could be called technical services support. Its use would be much as described in the proposals of the Administrator on the subject. In cases where technical support from UNDP sources seemed likely to be necessary, UNDP would negotiate with agencies, a programme which UNDP would finance in whole or in part, based on expected demand as shown by the country programmes and taking account of regional and subregional priorities. The arrangement would be for a two-year period, based on a forward-look over three years. The arrangement could be limited to the major sectoral agencies, together perhaps with the smaller agencies of the United Nations itself. It is not necessarily envisaged that arrangements of this degree of complexity are necessary with the smaller unisectoral agencies, although it is envisaged that the present arrangements for sectoral support, designed largely to deal with the lack of field representation of these agencies, would continue. It is noted that the Administrator has proposed that the arrangements for sectoral support as it currently exists should be reviewed by the Council at its thirty-eighth session (1991).

16. At this stage, the Governing Council could limit itself to deciding (a) whether to establish such a facility and (b) how much to appropriate for it in the fifth cycle. It could then request the Administrator to prepare a detailed proposal in consultation with the agencies for consideration by the Governing Council at its thirty-eighth session. The individual arrangements may need to be agreed upon by the governing bodies of the agencies concerned. An additional thought is that the technical services support should be relatively modest in relation to the regular programme of the agency concerned.

II. PROJECT LEVEL SERVICES FOR UNDP

17. With respect to the issue of support services at the project level, a two-phased decision-making process should be envisaged. At its thirty-seventh session, the Governing Council can set out the policy which should shape the successor régime. It should then request the secretariat to work with agencies to develop operational modalities for subsequent consideration.

18. In terms of the policy features, the Bureau and its advisors have reached a significant level of agreement. The successor arrangements should remove impediments to and provide incentives for the shift towards national execution and a technical focus by agencies. It is also believed that, with the expiry of existing arrangements, the Administrator should discuss with each agency its capacity and willingness to provide requisite services in their sectors of competence, with a view to resolving problems or making proposals for improvements which ensure the availability of mandated services and technical support.

19. As stated in the statement of the President on 15 May, the project level issues which need to be considered are:

(a) How to calculate the cost of support?

(b) Should UNDP finance part of the technical support for projects?

(c) How should the sharing of support costs between UNDP and agencies be defined?

(d) Should support services, at the project level, be charged to indicative planning figures (IPFs) or centrally managed, or should there be some combination of the two?

(e) If overall support costs charged to project budgets are more costly than the resources transferred from the support cost line to IPFs, would it be possible to increase IPFs commensurately?

(f) At what level and how should Governments be recompensed for support services in nationally executed projects?

20. On these questions, the following comments are put forward to the Governing Council for its consideration:

(a) It would be desirable to have a more realistic appreciation of the cost of providing support services. Ideally, cost-measurement instruments would provide the empirically based data. The Council may wish to consider the use of such instruments. It is proposed that cumbersome project-by-project negotiations be avoided and efforts made towards the development of standard rates for different clusters of services. The proposal by the Consultative Committee on Administrative Questions (Financial and Budgetary Questions) (CCAQ(FB)) and the second proposal by the United Nations Industrial Development Organizations (UNIDO) illustrate different clusters. At this stage, the Council should request the Administrator to collaborate with agencies to update cost estimates and to develop a proposal for differential rates. While the Council will wish to see the estimates of the actual costs, the proposal to the Council should be formulated to reflect the desire to retain the principle of cost-sharing between partners. It should also reflect the desire of the Council to keep to the necessary minimum the level of finance provided for administrative and operational support and thus contribute to cost-effectiveness;

(b) In reference to technical support, technical services related to projects (apart from implementation services) relate primarily to formulation, technical appraisal, technical monitoring and evaluation and other services required by UNDP. UNDP should finance part of the technical costs in support of efforts to improve programme quality. In doing so, the Council would provide additional incentive for a greater technical focus in agencies relative to administrative functions. This issue of whether UNDP should finance technical support arises from the common belief that the 13 per cent now paid is primarily for administrative and operational support and that the technical support is usually provided by agencies from their regular budgets. The actual situation is, in fact, variable, with some agencies now financing at least part of their technical input from the support-cost earnings. Some of the functions identified above are clearly now financed partly by UNDP, e.g., formulation, which is addressed by the preparatory assistance, financed from the IPF, and the Project Development Facility (PDF), financed from the Special Programme Resources (SPR). So, too, are mid-term reviews and evaluations (usually IPF, sometimes SPR). This issue has never been very clear cut. For the future, the costing exercise described above should also address the factor of technical support and devise a compensation rate. The guidance given to the Secretariat in pursuing this work in detail should reflect a willingness by the Council for UNDP to finance a larger share of technical support than in the past, as against the desire to keep to the minimum outlays for administrative support. It is, nevertheless, expected that the sharing of costs between UNDP and agencies would be especially evident in this area;

(c) Resources for administrative and operational support should be transferred to IPFs and funded from there, in order to strengthen national responsibility for the management of the project cycle. Resources for technical support should be managed centrally. In being managed in this way, they could be added to the technical services support (described above as being for programme-level services) and thus form part of the negotiation with agencies. Alternatively, they could be retained centrally, but released on a project-by-project basis. The latter course permits a more detailed negotiation of the technical services required for each project with the co-operating partner;

(d) The current centrally managed resources for the support cost line, designed for administrative support for projects, should be transferred to IPFs and displayed as a sub-line for administrative and operational support. Since the Council agrees that as a matter of policy, resources expended for administrative support should not exceed the current levels, and preferably be below them, the question of charges to IPFs in excess of transfers from the old support cost line will not arise. It would, of course, be necessary to draw upon central resources to finance the new technical services support and technical project-level support;

(e) National execution will be the subject of a separate decision. It is expected that the Council will make provision in that decision for capacity development to expedite national execution. Incentive for national execution should additionally be created by ensuring that the resources not paid to United Nations agencies are made available for use within the country programme.

Exceptions

21. There appear to be no major disadvantage to the continuation of the present arrangements for certain agencies. Among these might be those for which the present arrangements have marked advantages in ease of administration, such as the banks; agencies where the technical co-operation work is so marginal that the administrative and operational costs can be contained within the present arbitrarily set figure; and any major sectoral agency where technical backstopping is readily available from budgetary sources because of the view taken by its governing body of its technical co-operation mandate. In the case of such agencies, the present arrangement could be continued subject to any decision which the Governing Council might wish to take as regards raising or lowering the standard rates.

Small agencies

22. A continuation of these arrangements is also recommended for the agencies currently benefiting from flexibility arrangements, taking account of inflation since 1980, and with a provision to avoid the disadvantage of major changes in the thresholds. One of the points which the Governing Council would need to decide is whether flexibility arrangements should apply not only to autonomous bodies but also to agencies which are part of the United Nations itself and are currently excluded by paragraph 3 of Governing Council decision 81/40 of 30 June 1981. The arrangements for smaller agencies on these lines would need to be designed so as to be compatible with any decision to transfer the payment of support costs to IPFs. It is suggested that the Administrator be asked to provide specific proposals to the Council at its thirty-eighth session (1991).

Encouragement of a cost-measurement system

23. During the consultations, the desirability of a generally acceptable cost-measurement system to ensure the transparency of the financial arrangements on support costs in both UNDP and the agencies was raised. If the Governing Council believes that this is a priority, it could consider the possibility of providing an incentive to the introduction of such a system more widely than is currently the

case. If this idea commands wide support, the Administrator could be asked to develop a more specific and costed proposal in consultation with the agencies.

Currency fluctuations

24. There is general agreement that the present arrangements provide inadequate safeguards for agencies against exchange rate fluctuations, especially for smaller agencies. The options proposed by the Group of Experts provide a good basis for choice and agreement. Further work and consultation between the Administrator and the agencies is required before specific proposals can be brought to the Governing Council, especially in view of the proposal to transfer support costs from a central provision to the project budget. Such proposals should have no net cost to the Programme over time. Provision should be made, if necessary, for adjustments in payments under technical services support.

Non-governmental organizations

25. It is recommended that the support-cost arrangement proposed for UNDP should not be applied to non-governmental organizations (NGOs) and organizations outside the United Nations system. It would be appropriate that such organizations continue to be sub-contractors to Governments, agencies, or OPS and the cost of the services of these bodies be paid from project budgets arrived at by the normal processes of negotiation or competitive bidding.

Transitional arrangements and timing

26. The new arrangements would formally come into effect on 1 January 1992. Projects started before then would continue under the current arrangements until the end of the project life, both as regards levels of support and payment from the central provision.

27. Attention has been drawn to the desirability of building into the arrangements transitional measures to permit adjustment by both agencies and Governments to any new system for support costs and to the changing functions envisaged for Governments and agencies. The need for transition will be influenced in part by the successor régime per se and, more importantly, by the characteristics of the forthcoming decision on national execution and the pace of its implementation. These not having yet been decided, it is difficult to make a precise forecast. Some members of the advisory group have developed specific proposals in this regard.

Trust funds

28. Governing Council decision 80/44 urged governments and governing bodies of agencies "to apply the support costs reimbursement arrangements described above also to technical co-operation activities financed from all other extrabudgetary sources, including trust funds or similar funds". It will be necessary for the Council to decide whether such guidance should be given from the Council as part of the new arrangements on support costs, or whether the matter should be left formally to the governing bodies of the agencies concerned. It is recommended that

the Council decide upon this after taking a decision on the nature of the support-cost arrangements for UNDP and UNFPA central funds. It is not proposed to make any specific recommendations beyond this.

29. However, among the points made by members of the Programme of which the Governing Council would wish to take account is the following. It became clear to the Bureau members and their advisers that the extent to which the secretariats and the governing bodies select and control trust funds differs widely between the agencies. In some cases, trust funds are handled in such a way that it is appropriate that they be treated on a par with UNDP financing; there is no obvious reason why any contribution the agency makes towards backstopping UNDP projects should not be extended to trust funds. In other cases, the trust fund facility is primarily a service to a donor, which in some cases is also the recipient, and the reason for a regular budgetary contribution is less obvious. In light of this, there would seem to be difficulties in recommending with any confidence that whatever arrangements are agreed for UNDP should in principle be applied to trust funds and other extrabudgetary resources of other agencies.

UNDP and UNFPA trust funds and other programmes

30. It is recommended that the Governing Council request the Administrator and the Executive Director of UNFPA to examine the implications of the expiry of the present arrangements, in accordance with paragraph 2 of decision 80/44, and the recommendations of the Council at its thirty-seventh session on trust funds and other funds within their responsibility, and to present to the Council at its thirty-eighth session (1991) any necessary proposals for the charging of support costs to these funds or bodies.

Term of the new arrangements

31. The Governing Council will need to consider whether the new arrangements should, as previously, have a life of 10 years, or cover a shorter period, such as the fifth cycle. It is recommended that, as far as possible, the arrangements should have a 10-year validity, but that there should be a provision for a review of certain elements; those for which specific financial provision is needed in the fifth cycle should be considered initially only for that period.

32. In particular, it is recommended that the technical services support should be reconsidered in the preparations for the following cycle and that any arrangements which have in them figures significantly affected by inflation, such as the thresholds for the flexibility arrangements for smaller agencies, should be reviewed after five years. It is also envisaged that the arrangements for the payment of support costs, which, it has been suggested, should be finalized next year, would need to be reviewed within five years at the least.

Matters on which no recommendations are made

33. On two related matters a deliberate decision has been made not to put forward recommendations since these are affected by the key issue on which a political decision is required: the extent to which the cost of agency support for the

Programme should be borne by voluntary funds or by the regular budgets. This is an aspect on which members will have their views as voluntary contributors to UNDP and assessed contributors to the agencies. One point is the level to be set aside for technical support at the programme and project levels, to be managed centrally. The second is the level of support costs payable to the agencies from IPFs for administrative and operational support. Presumably, the Governing Council will wish to consider these two together and to compare the total costs of support for the agencies, for a comparable level of service, with the current cost. In earlier sections, the proposal is made for measures to update cost estimates for these services and to establish differential rates for payment. In the light of the discussion on the fifth cycle, the Council may wish to consider establishing in this context an overall level within which these exercises should be developed.

Decision-taking

34. It appeared from the open-ended discussions on 15 and 16 May 1990 that the membership was sympathetic to the idea of adopting a decision at the thirty-seventh session which would establish a framework for policy precepts and give appropriate guidance to ensure that proposals for precise arrangements are fully worked out between the Administrator and the agencies for consideration and action by the Governing Council at its thirty-eighth session. The financial implications of the changes would also need to be worked out over the year between the Council meetings. A similar timetable would be applicable to UNFPA.

35. The framework the Governing Council could decide on at its thirty-seventh session could include the following:

(a) The overall levels for support cost;

(b) UNFPA to have a separate régime;

(c) Provisions in the fifth programming cycle for technical support services of a specific financial magnitude;

(d) How to finance technical support at the project level;

(e) The issue of financing from IPF payments to agencies for administrative and operational support to projects;

(f) The transfer of the old support cost line to IPFs;

(g) The question of financing support services to projects on the basis of differential rates for clusters of services, at least for the major agencies;

(h) Protection against currency fluctuation to be incorporated in the new arrangements;

(i) The term of the new arrangements.

Subsequent decisions

36. UNDP and UNFPA, in consultation with the agencies, would submit detailed proposals on a number of issues. Based on these submissions, the following issues would be left for subsequent decisions by the Governing Council:

(a) Detailed arrangements for UNFPA;

(b) Rates for administrative and operational support to projects by agencies;

(c) Basis for financing technical support to projects;

(d) The UNDP régime for small agencies;

(e) The coverage of currency protection for agencies on project execution, and if necessary for technical services support;

(f) Detailed proposal on technical services support;

(g) The need for transitional protection for agencies especially affected by a switch to national execution;

(h) Arrangements for UNDP and UNFPA trust funds and other funds which are the responsibility of the Administrator;

(i) The validation of any agreements with agencies over the continued provision of support services and their continuation as executing agents.

Annex

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SUPPORT

FINANCIAL, BUDGETARY AND ADMINISTRATIVE MATTERS

Ex post facto reporting on agency support costs

Report of the Administrator

SUMMARY

The present document contains the fourth ex post facto report on agency support costs and is being submitted to the Governing Council in accordance with its decision 88/51 of 1 July 1988. In that decision the Council, inter alia, requested the Administrator to continue to submit an ex post facto report on agency support costs on a biennial basis. This report, which covers the biennium 1988-1989, presents the information received from agencies and provides an analysis of the trend in agency support cost earnings and expenditure, as well as agency technical co-operation project expenditure since 1982. The Council may wish to take note of this updated information on agency support costs in considering successor arrangements for support costs from 1992.

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I. INTRODUCTION

1. The Governing Council, in its decision 80/44 of 27 June 1980, set out a series of arrangements for reimbursement by the United Nations Development Programme (UNDP) of agency support costs for operational activities in respect of the financial years 1982 to 1991 which, inter alia, contained the agreement on the basic authorized reimbursement rate of 13 per cent of annual project expenditures. Noting the difficulty faced by the Intergovernmental Working Group on Support Costs owing to the absence of standardized data on costs within the United Nations system, the Council requested the Administrator to provide to the Council, on an ex post facto basis, a detailed report showing the elements of support costs incurred by executing agencies in the preceding biennium in executing operational activities for development.

2. Extensive consultations with the agencies led to the present reporting format and its biennial coverage. The first ex post facto report covering the biennium 1982-1983 was submitted to the Governing Council at its thirty-first session in June 1984 (DP/1984/62) and subsequently similar reports have been presented to the Council on a biennial basis in 1986 (DP/1986/65) and 1988 (DP/1988/54).

3. The present document, which covers the biennium 1988-1989, is the fourth ex post facto report to be submitted to the Governing Council and responds to decision 88/51 of 1 July 1988. This report consists of the following three parts:

(a) A brief analysis of the trends in technical co-operation activities, support cost earnings and support cost expenditure over the past four bienniums;

(b) Tables providing data received from executing agencies and an analysis of that data (annex I);

(c) Narrative texts provided by executing agencies on financial information contained in their reports (annex II).

Executing agencies were also requested to comment on the past and likely future trends of their technical co-operation programmes and the expected impact on support costs of such trends as well as any measures to reduce support costs that have been taken or are planned since the last ex post facto report.

4. As in previous reports, some agencies indicated that the support cost expenditures were not based on updated cost-measurement studies but rather on estimated percentages of technical co-operation delivery or a percentage derived from studies conducted in the past. The present report should be read with this background in mind and should therefore be considered as a source of information to show general trends and developments on support costs and technical co-operation activities in the United Nations system.

II. ANALYSIS OF INFORMATION

A. Technical co-operation delivery in 1988-1989

5. As noted in table A.1 of annex I and illustrated in chart 1, the overall delivery of technical co-operation activities from all sources combined by executing agencies in the United Nations system in the biennium 1988-1989 increased by $964.9 million, or 29.4 per cent, from $3,283.7 million in the biennium 1986-1987 to $4,248.6 million in the biennium 1988-1989. The increase is due largely to an increase of the extrabudgetary activities of agencies, which increased by $461.9 million, or 34.7 per cent, compared to the previous biennium.

6. Chart 2 indicates the trend in the share of technical co-operation activities by source of funds over the last four bienniums. This chart shows a steady increase in the share of technical co-operation activities funded by extrabudgetary sources and a decrease in the share of UNDP-funded activities. The percentage shares of UNDP and extrabudgetary activities, 43 per cent and 36 per cent respectively in 1982 and 1983, are reversed in 1988 and 1989. Throughout this period, the percentage share of the activities funded by the regular programme has remained at about the same level, ranging from 20.0 per cent to 22.7 per cent.

B. Agency support cost earnings

7. The total support cost earnings from all sources of funds increased by $132.2 million, or 20.9 per cent, from $630.9 million in the biennium 1986-1987 to $763.1 million in the biennium 1988-1989. The increasing trend in the support cost earnings from all sources combined is shown in chart 1. Although the amount has increased over the period, the support cost rate has remained fairly constant averaging 17.9 per cent over the period.

8. Chart 3 indicates the trend in the share of support cost income by source of funds over the last four bienniums. A comparison of charts 2 and 3 shows a sharp contrast between percentage shares of technical co-operation delivery and support cost income by source of funds. While technical co-operation activities funded by the regular programme of agencies accounted for only 21.9 per cent of the total technical co-operation in the biennium 1988-1989, the regular budgets of agencies financed 54.5 per cent of total support costs during the same period. Several agencies further explained that the shortfall in support cost earnings was covered from special funds outside the regular programme. 1/ In United States dollar terms, support cost earnings from UNDP for all agencies approximate 12.5 per cent of total UNDP-funded activities. The support cost ratio of extrabudgetary activities varies from agency to agency, ranging from 4 per cent for the Asian Development Bank (AsDB) to 21 per cent for the United Nations Centre for Human Settlements (UNCHS).

9. In this connection, it might be recalled that at the thirty-fifth session of the Governing Council in 1988, the Council reviewed a request from the Administrative Committee on Co-ordination concerning the effects of exchange rate

fluctuations on agency support cost earnings. The Governing Council authorized the Administrator to make a special one-time additional support cost reimbursement for 1987 to the executing agencies amounting to $6.8 million (decisions 88/52 and 88/53). Two agencies, the International Labor Organisation (ILO) and the International Telecommunication Union (ITU), indicated that these additional support costs are excluded from their data. Other agencies have been requested to clarify the treatment of these funds. The Council will be advised orally at the thirty-seventh session.

10. It should be also noted that two agencies, UNCHS and the Economic and Social Commission for Asia and the Pacific (ESCAP), indicated an excess of support cost earnings over expenditure.

C. Support cost expenditure

11. As shown in table A.3 of annex I, total agency support cost expenditure has increased since 1982 owing to the increase in the volume of programme delivery and, for the European-based agencies, to the continued weakening of the United States dollar during the period under review. (Expenditures in the national currency of the duty station reflect a higher United States dollar cost as the dollar weakens.) The United States dollar continued to weaken against major European currencies in 1988 and then strengthened in 1989. However, average exchange rates during this biennium did not recover to the level of the previous biennium, 1986-1987. This resulted in higher operational costs of administering technical co-operation activities, as a large portion of support cost expenditures was incurred in local currencies of the locations of their headquarters.

12. Chart 4 indicates the percentage share of support cost expenditure by object of expenditure in the biennium 1988-1989. There was no major shift in the share of the expenditure components over the past four bienniums.

D. Analysis of support cost income and expenditure ratios

13. Table A.4 of annex I indicates, for the past four bienniums and for each agency, the UNDP percentage share of total agency support cost earnings compared with its share of the total technical co-operation project expenditure of each agency. As seen in charts 2 and 3, the UNDP share shows a decreasing trend both in programme expenditure and support cost earnings.

14. Table A.5 shows, by agency, the ratio of total agency support cost expenditure to total technical co-operation expenditure from 1982 to 1989. During this period, most of the agencies achieved a lower ratio of support cost expenditure to technical co-operation project expenditure compared to the ratios in the previous bienniums. For all executing agencies combined, the ratio has decreased to 18.0 per cent in 1988-1989 from 19.5 per cent in 1986-1987. Chart 5 shows the trend of this ratio over the last four bienniums. Despite the continued weakening of the United States dollar during this period, agencies have achieved this lower rate by undertaking cost-saving measures and restructuring their technical co-operation operations to make more efficient use of resources.

Notes

1/ Such additional funds covered by agencies are included under the heading of regular budget in table A.2 of annex I.

Chart 1 Technical Co-operation and Support Cost Earnings

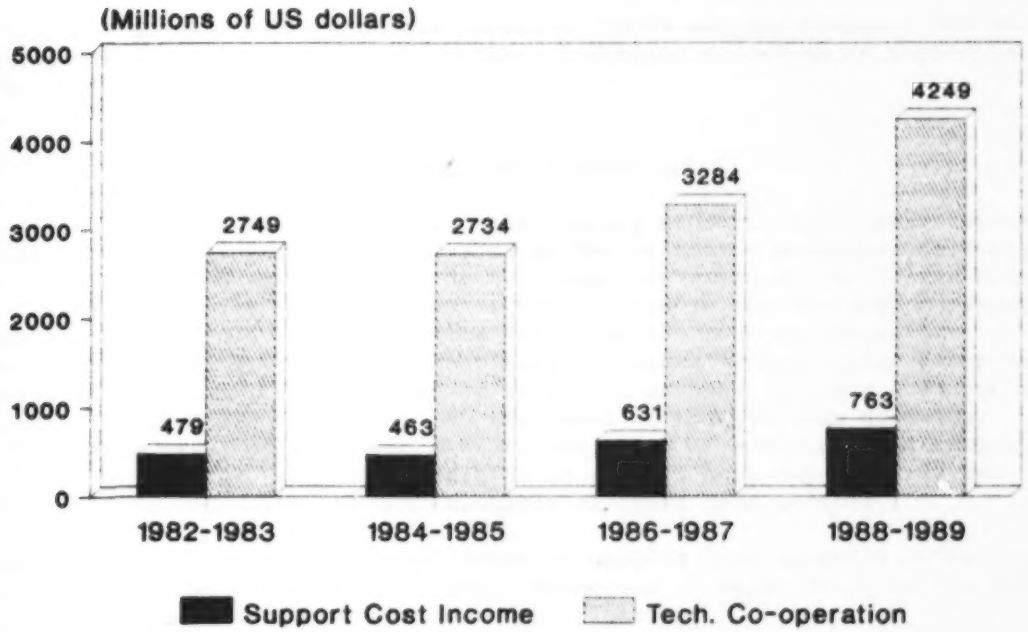


Chart 2 Technical Co-operation
(In percentage)

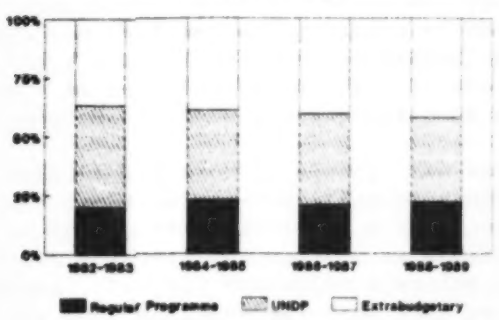


Chart 3 Support Cost Earnings
(In percentage)

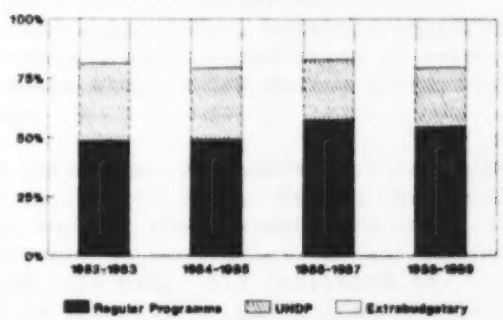
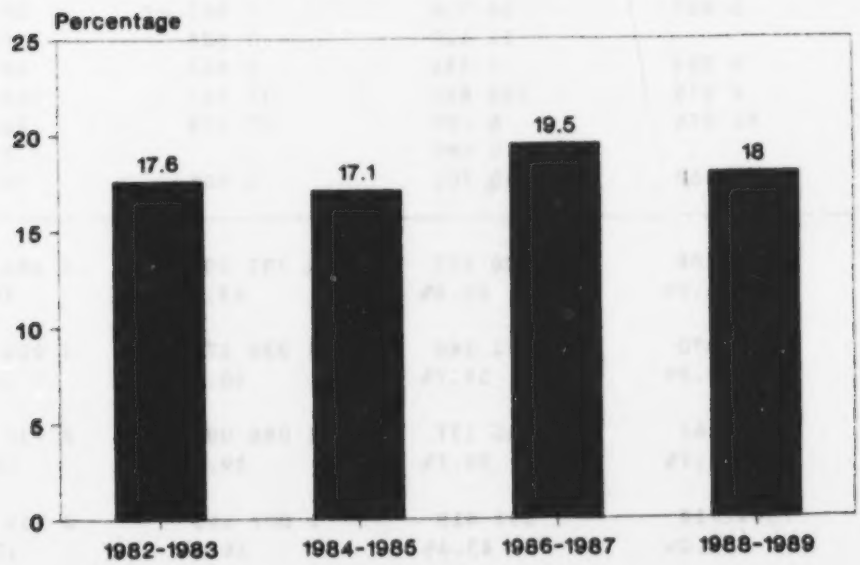


Chart 4 Support Cost Expenditure
1988-1989

Chart 5 Support Cost Exp as a percentage of Technical Co-operation Expenditure



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Annex I

DATA PROVIDED BY EXECUTING AGENCIES

Table A.1. Total agency technical co-operation project expenditure by source of funds for the biennium 1988-1989

(Thousands of US dollars)

Agency	Regular programme	UNDP	Other extrabudgetary	Total
United Nations	18 026	201 523	96 040	315 589
UNCTAD	1 215	23 608	6 672	31 495
UNDP/OPS		165 021	267 262 a/	432 283
ECA	3 908	18 812	13 679	36 399
ECE	317	685	2 251	3 253
ECLAC	1 930	4 406	13 075	19 411
ESCAP	3 413	16 614	19 208	39 235
ESCWA	2 348	389	2 328	5 065
UNCHS	1 697	30 355	4 385	36 437
ITC		28 417	27 592	56 009
ILO	27 778	119 999	120 731	268 508
FAO	56 793	324 772	326 763	708 328
UNESCO	10 136	62 605	86 800	159 541
ICAO		74 779	17 084	91 863
WHO	475 576	45 063	491 929	1 012 568
World Bank	183 200 b/	125 100	164 000 b/	472 300
UPU	2 173	4 613	1 080	7 866
ITU	6 967	49 838	14 023	70 828
WMO	1 489	28 334	7 547 c/	37 370
IMO		11 120	7 528	18 648
WIPO	5 357	6 482	4 663	16 502
UNIDO	8 836	156 853	77 663	243 352
IAEA	62 099	6 156	13 208	81 463
WTO		5 088		5 088
AsDB	56 950	15 701	6 585	79 236
Total, 1988-1989	930 208	1 526 333	1 792 096	4 248 637
	21.9%	35.9%	42.2%	100.0%
Total, 1986-1987 d/	682 370	1 271 140	1 330 173	3 283 683
	20.8%	38.7%	40.5%	100.0%
Total, 1984-1985	620 284	1 045 127	1 068 091	2 733 502
	22.7%	38.2%	39.1%	100.0%
Total, 1982-1983	547 718	1 193 618	1 007 193	2 748 529
	20.0%	43.4%	36.6%	100.0%

(Footnotes on following page)

(Footnotes to table A.1)

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a/ Includes management services.

b/ Was not included in the previous report.

c/ Includes 4 per cent of $15,280,000 or $611,200 as estimated value of assistance provided through the WMO Voluntary Co-operation Programme. See the narrative text (annex II, sect. Q).

d/ Adjustment made to the previously reported figures.

/...

Table A.2. Total agency support cost earnings by source of funds for the biennium 1988-1989

(Thousands of US dollars)

Agency	Regular budget	UNDP	Other extrabudgetary	Total
United Nations	31 817	25 339	10 696	67 852
UNCTAD	2 958	3 249	879	7 086
UNDP/OPS		15 685	17 461 a/	33 146
ECA		1 551	1 449	3 000
ECE	534	89	109	732
ECLAC	1 131	573	2 229	3 933
ESCAP	3 413	2 160	2 487	8 060
ESCWA	611	51	303	965
UNCHS		3 936	943	4 879
ITC	4 834 b/	3 815 c/	3 953	12 602 d/
ILO	47 830	15 491 e/	14 085	77 406
FAO	41 943	41 900	31 159	115 002
UNESCO	19 866	8 487	9 304	37 657
ICAO	5 338 f/	9 381	2 217	16 936
WHO	103 245	4 600	27 647	135 492
World Bank	23 837	12 800	18 125	54 762
UPU	1 652	1 091		2 743
ITU	5 982 g/	6 111 h/	1 467	13 560
WMO	1 837 i/	4 853	1 127	7 817
IMO	3 316	2 314	1 028	6 658
WIPO	3 595	1 426	281	5 302
UNIDO	52 959	20 675	9 534	83 168
IAEA	32 261	1 439		33 700
WTO	1 430 j/	1 069		2 499
AsDB	25 851	2 030	293	28 174
Total, 1988-1989	416 240	190 115	156 776	763 131
	54.5%	24.9%	20.5%	100.0%
Total, 1986-1987 k/	362 563	159 678	108 633	630 874
	57.5%	25.3%	17.2%	100.0%
Total, 1984-1985	227 455	139 525	95 678	462 658
	49.1%	30.2%	20.7%	100.0%
Total, 1982-1983	231 514	157 113	90 184	478 811
	48.4%	32.8%	18.8%	100.%

(Footnotes on following page)

(Footnotes to table A.2)

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a/ Includes fees received from management services.

b/ Input financed by regular budget.

c/ Includes $195,000 supplementary support costs to cover exchange variance (Governing Council decisions 88/52 and 88/53).

d/ Equivalent to 22.5 per cent of expenditures and technical co-operation programme as reported in table A.1.

e/ Excludes additional support costs income of $1,041,000 to cover exchange rate losses.

f/ Funded by extrabudgetary reserve fund for technical assistance activities.

g/ Includes shortfall in income ($4,254,000) financed by ITU's own resources.

h/ Excludes ad hoc additional support cost reimbursement for 1987 amounting to $462,000 paid in 1988.

i/ Includes regular budget emergency funds of $1,104,000. See the narrative text (annex II, sect. Q).

j/ Includes unspent balance and savings of $9,104.

k/ Adjustment made to the previously reported figures.

Table A.3. Total agency support cost expenditure from all sources of funds combined and by object of expenditure for the biennium 1988-1989

(Thousands of US dollars)

Agency	Salaries and common staff costs	Official travel	Contractual services	General operating	Supplies and materials	Furniture and equipment	Other a/	Total
United Nations	56 521	543	1 628	2 714	1 086	1 221	4 139	67 852
UNCTAD	6 746	35					305	7 086
UNDP/OPS	17 158	775	689	6 272	336	1 732	6 184	33 146
ECA	1 874	450	548			30	98	3 000
ECE	692	(2)		4	6	32		732
ECLAC	3 354	141	3	180	3	38	214	3 933
ESCAP	7 311	66	91	280	51	85		7 884
ESCWA	565	355			35	10		965
UNCHS	3 448	168	45	789	73	141	41	4 705
ITC	11 970	12	270	15	25	60	250	12 602
ILO	68 737						8 669	77 406
FAO	97 752	1 380	690	805	690		13 685	115 002
UNESCO	34 200	1 600					1 857	37 657
ICAO	14 742	240		1 240	138	414	162	16 936
WHO	82 326	608	2 935	31 355	4 881	9 950	3 437	135 492
World Bank	29 678	5 115		7 418			12 551	54 762
UPU	2 433	150			42	118		2 743
ITU	12 479	432		272	255		122	13 560
WMO	7 501	60		100	138	18		7 817
IMO	4 025	220		887	49	25	1 452	6 658
WIPO	4 408	120		774				5 302
UNIDO	78 883	2 842	29	594	137	677	6	83 168
IAEA	26 658	214	34	3 662	305	96	2 731	33 700
WTO	2 184	80	9	158	21	47		2 499
AsDB	22 337	1 803	1 042				2 992	28 174
Total, 1988-1989	597 982	17 407	8 013	57 519	8 271	14 694	58 895	762 781
	78.4%	2.3%	1.1%	7.5%	1.1%	1.9%	7.7%	100.0%
Total, 1986-1987	507 042	12 456	12 906	57 790	7 842	11 168	30 429	639 633
	79.3%	1.9%	2.0%	9.0%	1.2%	1.8%	4.8%	100.0%
Total, 1984-1985	364 866	10 837	10 391	40 111	4 750	11 070	26 541	468 566
	77.9%	2.3%	2.2%	8.5%	1.0%	2.4%	5.7%	100.0%
Total, 1982-1983	403 825	10 750	4 068	25 472	4 487	4 147	31 334	484 083
	83.4%	2.2%	0.8%	5.3%	0.9%	0.9%	6.5%	100.0%

a/ Includes other objects of expenditure as well as costs which could not be identified separately by agencies.

/...

Table A.4. UNDP percentage share of total agency support cost earnings compared with UNDP percentage share of total agency technical co-operation expenditure from 1982 to 1989

Agency	UNDP percentage share of total agency support cost earnings				UNDP percentage share of total agency technical co-operation expenditure			
	1982-1983	1984-1985	1986-1987	1988-1989	1982-1983	1984-1985	1986-1987	1988-1989
United Nations	40.3	40.3	33.7	37.3	66.9	62.7	58.0	63.9
UNCTAD	55.1	48.2	41.1	45.9	86.9	75.6	68.5	75.0
UNDP/OPS	74.7	61.0	52.4	47.3	63.1	50.4	43.1	38.2
ECA	29.6	33.0	33.6	51.7	46.0	45.6	48.6	51.7
ECE	45.8	37.0	10.2	12.2	73.8	59.8	28.0	21.1
ECLAC	15.1	12.0	12.2	14.6	21.8	17.0	18.5	22.7
ESCAP	24.1	23.2	25.1	26.8	40.9	36.7	39.6	42.3
ESCWA	19.5	13.9	14.2	5.3	22.0	24.0	24.5	7.7
UNCHS	48.8	46.9	89.6	80.7	81.2	79.1	87.3	83.3
ITC			26.0	30.3			45.8	50.7
ILO	24.3	24.6	19.7	20.0	47.7	43.5	43.5	44.7
FAO	44.8	38.2	29.2	36.4	48.1	40.4	41.1	45.9
UNESCO	34.8	30.0	25.5	22.5	42.4	38.0	42.0	39.2
ICAO	59.3	64.3	73.3	55.4	58.2	62.7	73.8	81.4
WHO	5.4	4.0	3.4	3.4	5.7	4.1	4.6	4.5
World Bank	a/	a/	a/	23.4	a/	a/	a/	26.5
UPU	43.7	40.3	29.5	39.8	63.7	61.7	52.9	58.6
ITU	65.1	71.6	67.2	45.1	74.3	74.3	73.3	70.4
WMO	62.5	70.9	56.7	62.1	67.7	56.8	75.5	75.8
IMO	59.7	54.2	42.5	34.8	66.8	64.6	56.7	59.6
WIPO	21.8	26.7	21.6	26.9	33.9	39.0	34.4	39.3
UNIDO	35.4	33.2	25.6	24.9	72.7	65.1	71.8	64.5
IAEA	10.9	5.5	4.1	4.3	16.8	5.6	4.7	7.6
WTO	41.3	49.0	45.7	42.8	100.0	100.0	100.0	100.0
AsDB	7.1	6.8	7.5	7.2	24.6	22.7	23.1	19.8
Total weighted average	32.8	30.2	25.3	24.9	43.4	38.2	38.7	35.9

a/ Information available from agency related only to UNDP-financed activities.

/...

Table A.5. Ratio of total agency support cost expenditure to total technical co-operation expenditure from 1982 to 1989

(Percentage)

Agency	1982-1983	1984-1985	1986-1987	1988-1989
United Nations	21.3	21.3	21.5	21.5
UNCTAD	22.0	22.5	22.5	22.5
UNDP/OPS	8.1	8.6	6.8	7.7
ECA	20.2	19.3	19.4	8.2
ECE	22.5	22.5	35.5	22.5
ECLAC	20.1	19.8	20.5	20.3
ESCAP	21.2	22.5	20.8	20.1
ESCWA	14.7	22.5	22.5	19.1
UNCHS	21.8	22.2	13.7	12.9
ITC			22.5	22.5
ILO	27.4	24.8	29.6	28.8
FAO	14.7	14.5	19.3	16.2
UNESCO	16.7	17.4	21.8	23.6
ICAO	16.7	17.1	17.4	18.4
WHO	14.1	12.5	14.3	13.4
World Bank	10.4	10.2	10.3	11.6
UPU	32.0	33.7	39.3	34.9
ITU	17.5	17.0	19.8	19.1
WMO	16.0	11.8	22.9	20.9
IMO	19.4	23.9	27.8	35.7
WIPO	34.0	32.2	34.9	32.1
UNIDO	27.0	27.2	36.4	34.2
IAEA	33.3	25.6	24.8	41.4
WTO	19.6	21.2	40.2	49.1
AsDB	18.8	43.2	39.9	35.6
Average	17.6	17.1	19.5	18.0

Annex II

NARRATIVE TEXTS OF INFORMATION PROVIDED BY EXECUTING AGENCIES

A. United Nations

Reported expenditure of $315.589 million, as shown in table A.1 of annex I, reflects a decrease of approximately $13.9 million during the biennium 1988-1989 over 1986-1987. This reflects the exclusion of the technical co-operation component of general trust funds as they are no longer identified separately in the United Nations financial statements. Disregarding the adjustments for general trust funds, total programme delivery increased by $34.0 million or 12.1 per cent. This is composed of an increase under the regular programme of the United Nations of approximately $3.5 million or 24.1 per cent, for UNDP of approximately $10.5 million or 5.5 per cent, and for other extrabudgetary project expenditure of approximately $20.0 million or 26.3 per cent. The latter represents, in particular, an increase in expenditure of approximately $18.5 million under the United Nations Population Fund (UNFPA). The percentage of support cost expenditures to all technical co-operation delivery of the United Nations remained at approximately the same level as compared with the biennium 1986-1987 i.e., 21.5 per cent.

B. United Nations Conference on Trade and Development (UNCTAD)

As indicated in previous reports, UNCTAD does not maintain cost accounts in a manner from which the extent of the regular budget contribution to support costs can be precisely determined. Thus, total programme support costs have been estimated at 22.5 per cent of UNCTAD's total operational expenditures for technical co-operation programmes during the biennium. On this basis, total expenditures on programme support were $US 7,086,000 for the biennium 1988-1989, made up of $3,249,000 from UNDP support cost reimbursements, $879,000 from trust funds and other technical co-operation funds, and $2,958,000 from the regular budget.

C. UNDP/Office for Project Services (OPS)

A comparison of the source of funding (table A.3) for the projects handled by OPS between 1986-1987 and 1988-1989 shows that UNDP-funded project expenditures increased by 36 per cent while the projects funded under management services agreements and other funds increased by 67 per cent. It appears that this trend may continue in the biennium 1990-1991.

The average support cost rate (total project support costs divided by total project delivered expenditure) increased from 6.8 per cent in 1986-1987 to 7.7 per cent in 1988-1989. Administrative expenditures, including payments of $6,184 to UNDP for central services, increased by 75 per cent between 1986-1987 and 1988-1989 while project delivery expenditure increased by 54 per cent during the

same period. However, $2.6 million incurred in 1989 represents costs of moving to new premises. If this cost is distributed over a period of 10 years, the average support cost rate will be reduced to 7 per cent in 1988-1989 and the administrative expenditures will increase by 62 per cent between 1986-1987 and 1988-1989.

D. Economic Commission for Africa (ECA)

The Economic Commission for Africa (ECA) continued to carry out a programme of technical co-operation aimed at furthering the economic and social development of the countries of the region.

It is in this connection that an amount of $1.5 million from regular programme funds was expended to support the services of 10 regional advisers and to assist the Multinational Programming and Operational Centres (MULPOCs). Regional and subregional activities financed by the regular programme were carried out in economic co-operation, public administration and finance, social development, statistics, transport communications, tourism, energy, administrative and common services. In addition, three study tours and workshops were organized in the Union of Soviet Socialist Republics and financed in non-convertible currency.

The Commission also carried out activities pertaining to projects financed by UNDP and amounting in total to $US 12,407,943. These activities were in the field of development issues and policies, human settlements, industrial development, international trade, natural resources, women's programmes, public administration, social development, statistics, transport, communication, tourism and economic integration.

In addition to the above, the United Nations Population Fund (UNFPA) financed ECA activities on demographic statistics, population information networks, census research and training for a total amount of $4,205,986.

The contribution of the United Nations Environment Programme (UNEP), amounting to $251,728, was utilized for ECA operational activities in the field of environment, drought and desertification.

From the United Nations Trust Fund for African Development Activities (UNTFADA) an amount of $702,042 was made available for projects in the field of development issues, industrial development, international trade, natural resources, social development, and administrative and common services.

The United Nations Development Fund for Women (UNIFEM) provided $261,242 for strengthening national machineries for the integration of women in development and for support to activities of the African Training and Research Centre for Women.

Bilateral donors, Governments and organizations provided direct grants totalling $2,434,691 for expert services under non-reimbursable loan arrangements and trust funds for the implementation of technical co-operation projects in the field of development policies, food and agriculture, industry, natural resources, energy, population, public administration and finance, science and technology, social development, statistics and transport.

E. Economic Commission for Europe (ECE)

Support cost income relating to UNDP-financed technical co-operation activities during the biennium 1988-1989 remains at a level inferior to that attained in 1981. The activities financed from the regular budget (section 24) do not generate support cost income for ECE. In addition, a very large portion (84 per cent or $1,409,155) of deliveries on activities financed from other extrabudgetary sources is exempted from programme support cost charges.

Consequently, the principal burden of backstopping the entire ECE technical co-operation programme has fallen upon the very small administrative unit which is entirely financed by the regular budget except for one General Service post.

Actual programme support reimbursement income received from UNDP and UNFPA is shown in table A.2. The figure attributed for the regular budget (which is higher than the "source" in table A.1) is the effect of the application of the formula of calculating 22.5 per cent of total technical co-operation expenditures less amounts reimbursed by UNDP and UNFPA.

F. Economic Commission for Latin America and the Caribbean (ECLAC)

During the biennium 1988-1989 the total technical co-operation expenditure increased by more than $US 3 million (18.7 per cent) as compared with resources available during 1986-1987; consequently, support costs income increased in a similar proportion.

Consistent with the policy adopted some years ago regarding the need to diversify the use of resources from programme support costs, the amount of resources destined to salaries and other staff costs continued to decline proportionately as compared with other expenditures. Of the total expenditures in 1988-1989, 85 per cent was incurred in costs for staff posts.

G. Economic and Social Commission for Asia and the Pacific (ESCAP)

It is estimated that a total income of $US 8,059,781 was received from the regular budget, UNDP and other extrabudgetary sources. Since ESCAP does not maintain cost accounts to determine the regular budget contributions to support costs, the regular budget contribution was estimated to be $3,413,379, representing the total estimated income less amounts received from UNDP and other extrabudgetary sources in the biennium 1988-1989 ($8,059,781 less $4,646,402).

As regards support cost expenditure, the regular budget contribution of $3,413,379 was included in the total expenditure of $7,884,425 incurred during the biennium 1988-1989. Thus, a total expenditure of $4,471,046 ($7,884,425 less $3,413,379) was incurred in implementing UNDP and other extrabudgetary activities. It is expected that the present expenditure level will continue to be required

while every measure will be taken to effect economies for the implementation of UNDP and technical co-operation projects for financing the personnel essential for programme management, and administrative and project backstopping. In addition, it should be noted that ESCAP regular staff, both Professional and General Service, are continously working in support of UNDP and technical co-operation project activities.

Based on the present level of support cost expenditure of $4,471,000, a minimal target of project deliveries of $34,400,000 is essentially required on UNDP-financed and other extrabudgetary projects in order to derive sufficient income to meet the required support cost expenditure. In view of higher UNDP and extrabudgetary resources available in the biennium 1988-1989, a total amount of $35,821,251 on project deliveries was achieved, resulting in a total support income of $4,646,402 received as compared to the incurred expenditure of $4,471,402 in the biennium 1988-1989.

H. United Nations Centre for Human Settlements (UNCHS)

The trend of UNCHS programme support costs income for the biennium 1988-1989 from UNDP, UNDP-administered trust funds and other trust fund project activities from 1979 to at least 1987 had been that of excess expenditure over income. An improvement in the support cost income had been realized during the biennium 1988-1989, although still insufficient to allow UNCHS to increase its operating reserve by 20 per cent annually as required by the United Nations Financial Regulations. The excess programme support income over expenditure for the biennium 1988-1989 was $173,935.00 as compared with the deficit of $127,051.00 over the previous biennium. The level of 1988-1989 delivery is expected to prevail in the biennium 1990-1991, which does raise hope for more programme support income; the level of programme support expenditure for the biennium is expected to be more or less the same as for 1988-1989 as no reduction of expenditure level is possible.

I. International Trade Centre (ITC)

ITC is a joint subsidiary organ of the General Agreement on Tariffs and Trade (GATT) and the United Nations, the latter acting through UNCTAD. Its principal function is to provide assistance to developing countries in the field of trade promotion; it is the focal point for all United Nations technical assistance activities in this field. ITC became an executing agency of UNDP on 1 January 1984.

Total ITC expenditure amounted to $45.7 million in 1989 ($88.8 million for the biennium 1988-1989), of which $29.6 million went for technical co-operation projects ($56.0 million for the biennium) and $3.7 million for support costs ($7.0 million for the biennium); support costs expenditures amounted to 23 per cent of headquarters activities, the United Nations and GATT contributing 38.5 per cent each in 1989.

ITC does not maintain its accounts in a manner which would allow it to define precisely the extent of the regular budget contribution to support costs. Total

programme support costs expenditure have thus been estimated, as in other United Nations entities, at 22.5 per cent of the total operational expenditures for technical co-operation during the biennium.

On this basis, total expenditure on programme support amounted to $12,602,000 for the biennium 1988-1989 ($10,216,000 in 1986-1987), made up of 51 per cent support cost reimbursement from UNDP and other technical co-operation funds, and 49 per cent from other inputs and from the regular budget.

The ITC technical co-operation programme for the biennium 1988-1989 amounted to $56.03 million ($26.43 million in 1988 and $29.6 million in 1989), moving from $21.2 million for each year of the biennium 1986-1987.

J. International Labour Organisation (ILO)

Total technical co-operation expenditure in 1988-1989 increased by some 23 per cent compared with 1986-1987. Expenditure for UNDP-financed projects rose by just over 26 per cent and that for technical co-operation financed by the regular budget and other extrabudgetary funds increased by some 20 per cent. The rising trend of expenditure which commenced in the biennium 1986-1987 with an overall increase of 26 per cent over 1984-1985 thus continued in 1988-1989.

The average value of the dollar in 1988-1989 declined by 7 per cent, the average United Nations monthly accounting rate of exchange between the Swiss franc and the United States dollar being 1.54 in 1988-1989 compared with 1.66 in 1986-1987. Despite the upward cost pressure of adverse currency fluctuations and cost increases, there was a slight decrease in the ratio of support costs to project expenditure from 29.6 per cent in 1986-1987 to 28.8 per cent in 1988-1989 thanks mainly to economies of scale resulting from expanded technical co-operation delivery and also to further incremental efficiency savings resulting from a continuing process of rationalization of working methods and automation of operations.

During the biennium 1988-1989, the ILO once again faced financial difficulties under its regular budget because of adverse exchange rate fluctuations and significant shortfalls in the receipt of assessed contributions. Under these circumstances, the continuing need for a substantial regular budget subsidy to meet the excess of support costs expenditure over support costs revenue made it increasingly difficult to maintain the quality and timeliness of essential backstopping and support services except at the expense of other regular budget activities.

K. United Nations Educational, Scientific and Cultural Organization (UNESCO)

The overall expenditures relating to programmes and projects financed by extrabudgetary funding sources amounted to $149.4 million during 1988-1989, which represented an increase of 7 per cent over the delivery in 1986-1987

($139.3 million). UNDP continued to be the major funding source for technical co-operation projects (42 per cent) followed by UNFPA (12 per cent). The remaining 46 per cent included not only trust funds and technical assistance projects financed by loans and credits from the World Bank and regional banks, but also voluntary contributions for cultural campaigns, special funds for world cultural and natural heritage, development of communication (International Programme for Development of Communication), oceanography (Intergovernmental Oceanographic Commission), hydrology (International Hydrological Programme), informatics (Intergovernmental Informatics Programme), etc.; gifts, bequests and prizes.

In spite of budgetary constraints, the level of support services was maintained, and even increased in some instances in order to strengthen the organization's operational action (programme planning, sectoral studies, project identification, preparation). The evolution of execution modalities, such as the increased use of national experts (65 per cent of the work-months in 1988, compared to only 21 per cent in 1983), resulted in an increase in the ratio of support cost expenditure to delivery, without a corresponding increase in reimbursements. However, continuous efforts were made, through austerity measures, to keep costs to the minimum without sacrificing programme integrity.

UNESCO does not maintain a cost measurement system, which would enable precise determination of the regular budget support for programme execution. The data given in this report have been estimated based on the cost identification survey carried out by UNESCO in April 1989.

L. International Civil Aviation Organization (ICAO)

Total technical co-operation expenditure increased by $3.1 million, from $88.8 million in the biennium 1986-1987 to $91.9 million in the 1988-1989 biennium, or 3.5 per cent. This was attributable solely to the substantial increase in UNDP expenditure of $9.3 million, from $65.5 million (1986-1987 biennium) to $74.8 million (1988-1989 biennium), or 14.2 per cent, which entirely offset the decrease in other extrabudgetary programme expenditure of $6.2 million, from $23.3 million (1986-1987 biennium) to $17.1 million (1988-1989 biennium), or 26.6 per cent.

Total support cost expenditure increased by $1.5 million, from $15.4 million (1986-1987 biennium) to $16.9 million (1988-1989 biennium), or 9.7 per cent. However, total support cost income from UNDP and other extrabudgetary programmes increased by only $0.3 million, from $11.3 million (1986-1987 biennium) to $11.6 million (1988-1989 biennium), or 2.7 per cent. As in the biennium 1986-1987, there was again a shortfall in support cost income, i.e., by $5.3 million in the biennium 1988-1989. This deficit and that of $4.1 million in the biennium 1986-1987 were both financed from ICAO's extrabudgetary reserve fund for technical assistance activities. As indicated in the preceding report (DP/1988/54, annex II), with cost reduction measures having been applied since 1982, further meaningful reductions could not be made without adversely affecting the quality of administrative and technical backstopping provided to projects. Moreover, the change in the trend towards shorter-term expert assignments and fellowships

requiring additional support cost input to deliver project expenditure of the same value as the previous bienniums has made it difficult to effect further reductions in support cost expenditure.

M. World Health Organization (WHO)

As in previous bienniums, the level of costs for administrative support continued to be closely controlled and held to the minimum, in keeping with resolution WHA29.48 of May 1976. The cost in 1988-1989 of the general services and support programmes ($129,488,532) and the cost of real estate operations ($6,003,308), both at headquarters and in the regions, financed under the regular budget and other sources of funds (excluding the Pan American Health Organization (PAHO) and the International Agency for Research on Cancer (IARC)) totalled $135,491,840 representing 13.38 per cent of obligations incurred for all programme purposes ($1,012,567,527) under the regular budget and other sources (excluding PAHO and IARC), or 11.80 per cent of all obligations ($1,148,059,367) incurred under all sources of funds.

N. World Bank

Tables A.1-A.3 include all World Bank work classified in its regular budget as assistance and aid co-ordination and all of its support for the Consultative Group on International Agricultural Research (CGIAR) under the heading of technical co-operation. All technical assistance work financed by trust funds is included under other extrabudgetary technical co-operation expenditure.

O. Universal Postal Union (UPU)

The breakdown of support costs is available only for the organization's technical co-operation activities funded by UNDP resources. For the programme financed under the regular budget and the UPU Special Fund, the support costs are fully covered by the regular budget. The funds in trust activities represent a minor part of the programme. The total cost of this financial period of the support programme, financed under the regular budget and the reimbursement from UNDP, was $2,742,885 representing 59.5 per cent of the expenditures of $4,612,672 incurred under the UNDP funds for programme purposes.

P. International Telecommunication Union (ITU)

During the biennium 1988-1989, ITU executed a programme of technical assistance to the value of $US 70,828,000 (1986-1987: $61,458,000), an increase of 15.25 per cent over the previous biennium.

The administrative support costs incurred in the delivery programme amounted to $13,560,000 (1986-1987: $12,181,000), an increase of 11.32 per cent over the previous biennium. In Swiss francs, the currency in which some 90 per cent of support costs expenditure is incurred, the support costs amounted to SwF 21,095,000 (including regular budget). For the two years 1986-1987, the equivalent figure is SwF 19,655,000, i.e., an increase of 7.33 per cent. The average exchange rate between the United States dollar and the Swiss franc declined slightly from $US 1 = SwF 1.63 in 1986-1987 to $US 1 = SwF 1.55.

In United States dollar terms, the support costs amounted to 19.15 per cent of the programme value (the previous two years, 19.82 per cent). Reimbursement amounted to $9,306,000 or 13.14 per cent of the support costs (1986-1987: $8,741,000 or 14.22 per cent).

The external element of the programme, UNDP and trust funds, for 1988-1989 amounted to $63,861,000 (for 1986-1987: $54,667,000) which represents an increase of 16.82 per cent over the previous biennium. Reimbursement for 1988-1989 at $7,578,000 represents an increase of 9.24 per cent over 1986-1987 ($6,937,000). The shortfall between external income and support costs amounted to $4,254,000 (1986-1987: $3,441,000), which represents a decrease in income of 23.63 per cent over the previous biennium.

The accumulated shortfall in income up to 1989 is under examination by the ITU Administrative Council for its absorption through the Union's own resources.

As from 1990, the ITU Plenipotentiary Conference in Nice (1989) took important decisions to reinforce the capacity of the Union for telecommunications development and technical co-operation/assistance activities:

(a) Creation of a Telecommunications Development Bureau on the same footing as the other organs of the Union;

(b) Clear recognition of the dual responsibility of the Union (as the specialized agency for telecommunications and as the executing agency for UNDP and other programmes);

(c) A budget increase for the regular programme of technical co-operation activities with provision for the responsibility of ITU in its partnership role as a specialized agency of the United Nations system. It is expected that the shortfall in income for 1990 and 1991 will be covered by the regular budget of the Union.

Q. World Meteorological Organization (WMO)

The very low Swiss franc-United States dollar exchange rate continues to affect very adversely the real income from support cost revenues of centralized agencies such as WMO located in Geneva. The loss of revenue as a result of the exchange of United States dollar funds into Swiss francs for salaries has placed a severe burden on the operation of technical co-operation by WMO. The support costs

are computed in United States dollars while 95 per cent of WMO expenditure of these funds is in Swiss francs. To accommodate this disproportionate loss of funds with which to fund technical co-operation support activities, it has been necessary to apply economy measures including understaffing, thereby losing opportunities of optimum implementation of the projects on the one hand and on the other hand adding to the burden of the personnel involved in technical co-operation. Through the generated outside sources of income, e.g. trust funds which provide 14 per cent for support costs, the situation has been somewhat ameliorated but not without problems of additional work-load without comparable increase in staff resources.

The WMO regular budget provided almost $US 1.5 million in 1988 and 1989 combined to augment the funds with which to meet the costs of administering the WMO technical co-operation programme. This has meant cutting back, curtailing and/or stopping some important activities as this sum was not foreseen in the regular budget. This very essential stopgap measure is not realistic nor cost-effective management in the long term.

The total technical co-operation expenditure for 1986 and 1987 was just over $30 million. This same expenditure amounted to almost $40 million in 1988 and 1989, an increase of 33 per cent, while WMO operated with a curtailed technical co-operation staff. This is further compounded by the following facts.

In WMO's very technical and highly specialized field, the implementation of projects has become even more labour intensive in recent years - at a time when economies in staff resources were required. The increased implementation of sophisticated computer systems, including integration of hardware and software, has resulted in a considerably increased vigilant participation by the secretariat staff. This is because of the ever-increasing need for standardization and compatibility on a world-wide basis. It is not possible just to select the lowest bidder on components to a system and hope it will perform to the stringent standards required. This trend will place an even greater burden on the staff in the future.

Flexibility is indispensable to small agencies such as WMO. WMO feels that three improvements to the current system of reimbursement of support costs are essential:

(a) In recent years, WMO's UNDP delivery has been fluctuating between $12 million and $15 million but its support costs from UNDP have been around $2 million per year no matter what the actual delivery has been. It is essential that compensation for variable costs be introduced in the present system in addition to allowing for quantum increases in fixed costs (80-90 per cent of WMO support cost income goes towards fixed costs - mainly salaries);

(b) It is vital for WMO to receive accommodation for currency fluctuations. Ninety-five per cent of its expenditure is in Swiss francs while the support costs are computed in United States dollars. WMO has proved that it accepts downward adjustment in United States dollars due to currency movements;

(c) The thresholds for flexibility need to be increased. Considering inflation, it seems that the upper threshold should be increased from $15 million to at least $20 million. It would seem appropriate (and indispensable) to review the thresholds periodically, but in no case less often than every four to five years.

In addition to the UNDP programme and some trust funds, WMO manages a Voluntary Co-operation Programme (VCP). For 1988 and 1989 VCP totalled $15.280 million. However, some 96 per cent of the VCP projects was executed by the donor countries and not by the WMO secretariat; WMO's role has been limited to publicizing the needs of the developing countries and bringing the donors and the recipients together. Therefore the figures in table A.3 refer only to the 4 per cent of the VCP projects executed by WMO directly. It is worth noting that while over 75 per cent of WMO direct execution technical co-operation funding comes from UNDP, only 62 per cent of the support cost income is provided by UNDP (see tables A.1 and A.2).

R. International Maritime Organization (IMO)

Support cost income received by IMO is used to finance backstopping of the organization's technical co-operation programme (which is financed entirely from voluntary sources) at headquarters. In the main, this headquarters expenditure relates to the costs of staff based in London who are involved exclusively with technical co-operation activities. This enables almost all expenditure to be clearly identified as directly related to technical co-operation work. There are certain posts which are financed by the regular budget and by trust funds. In addition, considerable support is given to the programme by staff financed from the regular budget, and a small proportionate share of the costs of such staff (based on the percentage of time spent on technical co-operation work) is also included in total support cost expenditure.

S. World Intellectual Property Organization (WIPO)

Efforts have continued during the biennium 1988-1989 to reduce support costs to the extent possible without affecting the quality and timeliness of project delivery. In view of the sustained expansion of WIPO's development co-operation programme, which enabled some economies of scale to be made, these efforts have resulted in a reduction of the ratio of support costs to programme expenditure for the biennium 1988-1989 (32.1 per cent) as compared to the biennium 1986-1987 (34.9 per cent). However, the still limited size of WIPO's development co-operation programme implies that the support cost reimbursements received from UNDP remain notably insufficient to cover the actual cost of supporting WIPO-executed UNDP projects, and they still have to be considerably supplemented by regular budget resources.

T. United Nations Industrial Development Organization (UNIDO)

In accordance with Governing Council decision 88/51 of 1 July 1988, UNIDO is submitting an ex post facto report on agency support costs for the biennium 1988-1989.

Support cost expenditures are, for the most part, incurred in Austrian schillings. Operational budget programmes are therefore vulnerable to fluctuations in the dollar/schilling exchange rate. In 1988-1989, the exchange rate fluctuated from $US 1 = S11.10 in January 1988 to S14.10 in June 1989. During 1989, strenuous efforts were made to reduce costs in the operational budget.

During the biennium 1988-1989 biennium, the level of technical assistance delivery increased by 28.5 per cent over the 1986-1987 level. Support costs as a percentage of delivery, on the other hand, decreased by 5.3 per cent. Notwithstanding this, as pointed out on previous occasions, the present 13 per cent reimbursement provided to UNIDO for technical assistance delivery would appear to be inadequate.

U. International Atomic Energy Agency (IAEA)

Total expenditures on technical co-operation during 1988-1989 amounted to $81 million, and support costs amounted to $33.7 million or 41 per cent of the programme during that period.

The expenditures in respect of UNDP-financed projects amounted to $6.2 million during 1988-1989 compared to $4.7 million during 1986-1987, representing an increase of 31.2 per cent. The support cost received thereon amounted to $1.4 million for the biennium 1988-1989 compared to $1.1 million for 1986-1987. Support cost reimbursements are treated as miscellaneous income in the administrative budget.

It should be noted that special effort is needed to cope with UNDP requirements for project execution since the majority of projects executed by IAEA are subject to different procedures.

V. World Tourism Organization (WTO)

The total support cost income for 1988 and 1989, as indicated in table A.2, amounted to $2,499,235.80 of which the sum of $1,421,334.60, i.e. 56.87 per cent, came from WTO regular budget funds.

A comparison between these figures and those of 1986-1987 reveals a considerable increase in total support income. This was basically due to the following facts:

(a) An appreciable increase in total technical co-operation activities ($4,147,287.80 for 1986-1987 versus $5,088,215.98 for 1988-1989);

(b) A certain difficulty in distributing efficiently and calculating accurately WTO's support to UNDP-financed project implementation, owing to a reorganization of the secretariat in January 1988, by which technical co-operation staff was entrusted with additional non-technical co-operation functions.

This situation substantially improved in 1989, where the delivery was doubled while support cost hardly increased.

The ratio of support cost to technical co-operation volume is therefore 49.11 per cent for the total biennium, but it is actually only 40.63 per cent for 1989, a level similar to that of 1986-1987, and is expected to be maintained for the next biennium.

As can be seen from table A.3, the organization's regular budget, in line with subparagraph (b) above, covered most of the salaries and common cost of technical co-operation staff and all general operating expenses, while the UNDP support cost income was primarily used to supplement the same budget lines and cover travel and contractual services and strengthen the computerization of technical co-operation work, particularly of the roster of experts.

The trend towards a substantial increase in WTO's technical co-operation activities is likely to grow stronger as a result of the emphasis placed by the new Secretary-General on the operational orientation of the organization, as shown in the further 50 per cent increase in 1990, forecast in relation to 1989 delivery.

W. Asian Development Bank (AsDB)

AsDB total costs combined for the years 1988 and 1989 for internal administrative expenses incurred for the total AsDB technical assistance programme for the two years (financed both from the AsDB regular budget and from external resources, including UNDP funds) amounted to $US 28.174 million (table A.2) representing about 35.557 per cent of the total two-year technical assistance expenditure of $US 79.236 million (table A.1). The costs for internal administrative expenses are broken down under the UNDP object of expenditure categories as shown in table A.3. The sources of financing of the total AsDB technical assistance programme for two years were the AsDB regular budget (the Bank's own resources), UNDP and other external funds. The amounts and percentage in which each of these sources contributed to the technical assistance programme are shown in table A.1.

The AsDB budget for the year 1990 is as follows:

Total technical assistance expenditure	$60.5 million
Total internal administrative expenses	$15.564 million
Percentage	25.73

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FINANCIAL, BUDGETARY AND ADMINISTRATIVE MATTERS

Sectoral support

Report of the Administrator

SUMMARY

In accordance with Governing Council decision 87/48 of 19 June 1987, this report deals with the review of the sectoral support programme. The Administrator recommends that the review would be more usefully presented to the Governing Council at its thirty-eighth session (1991), since the integration of the senior industrial development field adviser programme within UNDP field offices took place only on 1 January 1990.

The Administrator also proposes a tentative allocation of $30 million for this programme for the fifth cycle.

INTRODUCTION

1. By its decision 87/48 of 19 June 1987, the Governing Council requested the Administrator to undertake a review of the whole sectoral support programme and to report to the Council in 1990 on the nature and scope of United Nations Development Programme (UNDP) support to the sectoral programme of relevant specialized agencies of the United Nations system during the fifth programming cycle.

2. The sectoral support programme includes the senior industrial development field adviser (SIDFA) programme financed jointly with the United Nations Industrial Development Organization (UNIDO) and the sectoral support programme for the smaller agencies.

3. The Administrator recommends that the review would be more usefully presented to the Governing Council in June 1991 for reasons outlined in paragraph 13. He also proposes an interim allocation for the fifth cycle.

I. THE SENIOR INDUSTRIAL FIELD DEVELOPMENT ADVISER PROGRAMME

4. When decision 87/48 was adopted, it was stressed in the report of the Budgetary and Finance Committee (BFC) (DP/1987/BFC/L.2/Add.7, para. 7) that the review should be definitive and the Council should not be asked to look yet again at the so-called in-depth studies of the SIDFA programme. It should also be recalled that some BFC members, while agreeing to continue to support the programme in the fourth cycle, wished to give a clear signal to UNIDO that it was by no means certain that UNDP would assist the SIDFA programme in the fifth cycle (DP/1987/BFC/L.2/Add.7, para. 5).

5. Decision 87/48 also contains (a) an endorsement by the Governing Council of the Administrator's proposal related to the integration of the SIDFA with the UNDP field service and (b) the release of an allocation of $6,400,000 to be used in 1990 and 1991 for the funding of the SIDFA programme.

6. On the basis of the above decision, UNDP and UNIDO signed, in April 1989, a memorandum of understanding relating to the integration of the UNIDO field service with the UNDP field office. The UNDP Resident Representative now also acts as the UNIDO representative at the field level; the SIDFA functions as UNIDO deputy Representative, with the title of UNIDO Country Director. The whole management of the SIDFA programme has been transferred to UNIDO with effect from 1 January 1990.

II. SECTORAL SUPPORT PROGRAMME FOR SMALLER AGENCIES

7. Smaller agencies are receiving financial contributions through this programme to provide short-term assistance to Governments and to UNDP Resident Representatives in determining what should be the nature of technical co-operation programmes, whether financed by UNDP or other resources, as follows:

(a) Identification of sectoral technical assistance needs;

(b) Provision of sectoral policy advice;

(c) Formulation of sectoral and intersectoral technical co-operation programmes and projects; and

(d) Field-level substantive co-ordination of UNDP programmes and projects with other technical co-operation programmes.

8. The following executing agencies are eligible for support under this programme: the International Maritime Organization (IMO); the International Trade Centre (ITC); the International Telecommunication Union (ITU); the United Nations Conference on Trade and Development (UNCTAD); the Universal Postal Union (UPU); the World Intellectual Property Organization (WIPO); the World Meteorological Organization (WMO); the World Tourism Organization (WTO); the International Atomic Energy Agency (IAEA); the United Nations Centre for Human Settlements (Habitat) (UNCHS); and the United Nations Centre for Transnational Corporations (UNCTC).

III. FUNDING OF THE PROGRAMME

9. The following allocations were made by the Governing Council for the third and fourth cycles:

	Millions of US dollars
Third cycle	
SIDFA programme	13.2
Smaller agencies	5.9
Total	19.1
Fourth cycle	
SIDFA programme	16
Smaller agencies	9
Total	25

IV. THE FUTURE REVIEW

A. Previous evaluations

10. Four evaluations of the SIDFA programme were undertaken between 1975 and 1986, all of which recognized its importance and made recommendations for its further development and its management. The results and recommendations of all these evaluations have been presented to the Governing Council.

11. The sectoral support to smaller agencies was evaluated by a senior consultant in February 1985. Most of the recommendations made by the consultant were incorporated in the management arrangements for the programme at the beginning of the fourth cycle (see circulars UNDP/PROG/116; UNDP/PROG/176; UNDP/PROG/HQTRS/170).

B. Objectives of the next evaluation

12. The whole sectoral support programme will be subject to an independent review in the second half of 1990. Besides reviewing the management, effectiveness and financial needs of the SIDFA programme and the sectoral support to the smaller agencies, a number of specific aspects will also be evaluated. For the SIDFA programme, the review is expected to assess the impact on co-ordination between UNDP and UNIDO at the field level resulting from the integration of the UNIDO field service within the UNDP field offices. For sectoral support to the smaller agencies, it is important (a) to assess the continuing relevance of funding some activities through this programme, particularly as new mechanisms have been established, such as the Project Development Facility for the funding of project identification missions and (b) to identify the current support needs of the smallest agencies.

V. PROPOSALS

13. UNDP proposes that the detailed review of these issues be postponed until the thirty-eighth session of the Governing Council. This postponement is proposed for the following reasons:

(a) The changes in the management of the SIDFA programme, which is currently the most important component (in financial terms, at least) of the whole programme, took effect only on 1 January 1990. Thus, there is not sufficient experience with the new arrangements on which to base a review for presentation to the Governing Council at its thirty-seventh session;

(b) UNIDO is planning to study the feasibility of a long-term financing scheme for the SIDFA programme in 1990. The UNDP financial contribution to such a programme would be determined on the basis of (i) resources available; (ii) the results of the internal review and (iii) the level of UNIDO participation;

(c) This postponement would also enable the review to include the benefit of more than three years of experience with the new procedures established for the management of the sectoral support programme to the smaller agencies;

(d) The financial resources available to sectoral support in the current cycle, i.e., $25 million, cover the programme until the end of 1991. The Council's decision to be taken at its thirty-eighth session (1991) on the future of this programme will be well in time for implementation from the commencement of the fifth cycle.

14. The Governing Council is scheduled to adopt the budget for the fifth cycle at its thirty-sixth session. A tentative allocation of $30 million is therefore proposed for the sectoral support programme in the fifth cycle. A new redistribution of resources between the two programmes as well as among smaller agencies is anticipated as a result of the review of the programme in 1990. The shift should favour the smallest agencies.